as Income Tax and Death Duties, have this enormous advantage, that they can really be regulated so as to press with continually increasing severity upon those who are best able to bear them. Unfortunately our Income Tax is still so unjustly imposed that it was clearly impossible to make full use of it without its being first reformed. That two men, each earning £1000 a year, should pay the same Income Tax, in spite of one having a wife and five children, while the other is a careless bachelor, is such a blot upon this otherwise excellent tax that it is generally agreed that the present rate of 5s. is as high as it can be made to go unless some reform is introduced into its incidence. The need for its reform is made the excuse for a sparing use of the tax, and we have been on several occasions assured that, as soon as the war is over, this reform will be set about.

In the meantime the Government falls back on finding about 80 per cent. of its requirements of the war on a system of borrowing. In so far as the money subscribed to its loans is money that is being genuinely saved by investors this process has exactly the same effect as taxation, that is to say, somebody goes without goods and services and hands over his power to buy them to the State to be used for the war. Borrowing of this kind consequently does everything that is needed for the solution of the immediate war problem, and the only

objection to it is that it leaves later on the difficulties involved by raising taxes when the war is over, and economic problems are much more complicated in times of peace than in war, for meeting the interest and